



NC OSC Policy 102.3

Maintenance Policy

Policy Area: Accounting & Financial Reporting	Effective Date: 7/1/1995
Policy Sub Area: Capital Assets	Last Revision Date: 6/15/2006
Authority: GASB Codification Section 1400	Policy Owner/Division: Statewide Accounting
<p><u>Policy</u></p> <p>Maintenance expenses are incurred to keep assets in normal operating condition and to help maintain the original use of the asset. Maintenance expenses do not extend the life of the asset beyond the expected useful life at acquisition or increase the future service potential of the asset. Maintenance costs are incurred to keep the asset operational throughout its useful life. Therefore, the replacement of roofs, plumbing and carpet are typically classified as maintenance costs. Other examples are engines on the ferries which are rebuilt after each season. This was an expected cost at the time of purchase. It does not extend the life of the asset longer than originally intended, so the costs are expensed.</p> <p>Regardless of the dollar amount, maintenance costs are expensed and not capitalized. The costs are charged to repairs and maintenance expense.</p> <p>It is recommended that management review the maintenance account at least once a year to consider:</p> <ol style="list-style-type: none">1. Replacing an asset with higher maintenance costs than other similar assets;2. Reducing maintenance costs by signing a service contract;3. Comparing the costs of a service contract with a repair-as-needed program;4. Verify that costs were for maintenance rather than amounts that should be capitalized.	
<p><u>Procedures</u></p> <p>NA</p>	
<p><u>Accounting Guidance</u></p> <p>NA</p>	

Related Documents (Memos/Forms)

NA

Revision History

Date	Description
06/15/2006	Policy updates